Property Tax Relief and Reform: Plan Overview

Joint Select Committee on Property Tax Relief and Reform

June 11, 2007

Plan Components

- Statutory Tax Relief
  - FY 2007-08 Tax Cut and Cap
  - FY 2008-09 Tax Cut (If Const Amnd Passes) and Cap
  - Annual Property Tax Growth Cap

- Constitutional Tax Relief and Reform
  - Homestead Exemption Increase
  - Targeted Preferences

Statutory Tax Relief

Tax Cut and Cap: FY 2007-08

- Immediate tax relief this year.
- Reductions based on past behavior of the taxing jurisdiction.
- Applies to counties, cities, and special districts.
- Override of the prescribed tax relief is allowed under specified circumstances

2007-08 Tax Cut: Calculation

- Property tax levies must be reduced to FY 2006-07 levels minus a specified percentage reduction factor.
  - Growth in revenues on the value of new construction is allowed.

- This is the same as reducing the “rolled back rate” by the specified percentage.

2007-08 Tax Cut: Calculation

Current Law (Baseline)	**2006-07**	**2007-08**
Tax Base	$ 1,000,000	$ 1,050,000
New Construction		$ 25,000
Total Tax Base	$ 1,000,000	$ 1,075,000
x Tax Rate (mills)	5.000	5.000
Tax Levy	$ 5,000	$ 5,375

Proposed		
2006-07 Revenues		$ 5,000
minus % Reduction Factor (5%)		$ (250)
		$ 4,750
New Tax Rate	4.524	
plus Tax on New Construction		$ 113
Tax Levy		$ 4,863
Difference from Baseline		*-9.5%*
Difference from 2006-07		*-2.7%*

2007-08 Tax Cut: Calculation

Tax Cut Applies Equally to All Property Types								
		Homestead		Non-Homestead Residential		Commercial/ Industrial		Tangible Personal Property
Taxable Value	$	200,000	$	250,000	$	1,000,000	$	100,000
Taxes--Baseline	$	1,000	$	1,250	$	5,000	$	500
Taxes--Proposed	$	905	$	1,131	$	4,524	$	452
Diff. from Baseline		-9.5%		-9.5%		-9.5%		-9.5%

2007-08 Tax Cut: Percentage Reduction Factors

- As a simplifying measure, cities and counties are grouped according to how rapidly their property taxes, adjusted for population, have grown over the past five years.
  - Annual compound growth in per capita tax levies from FY 2001-02 to 2006-07 for a jurisdiction, compared to the same measure for the entire state.

2007-08 Tax Cut: Percentage Reduction Factors

- Based on this comparison--one for cities and one for counties--governments were placed in different groups, each with a different percentage reduction factor.
  - Reduction factors are 3%, 5%, 7%, and 9%.
  - Special consideration is given to fiscally limited jurisdictions.

2007-08 Tax Cut: Percentage Reduction Factors

- The following boundaries were used for each group:

	Revenue Growth Compared to State Avg	
Reduction Factor	**Counties**	**Cities**
3%	-5% to -3%	-6% to -4%
5%	-3% to -1%	-4% to -1%
7%	-1% to +1%	-1% to +0.8%
9%	+1% or more	+0.8% or more

2007-08 Tax Cut: Percentage Reduction Factors

- Fiscally limited counties and cities are placed in the 3% cut bracket
  - Fiscally limited counties are counties currently defined in statute as “fiscally constrained” and for which the revenue value of one mill per capita is less than $100.
  - Fiscally limited cities are cities that are either in a fiscally limited county or cities that have been in a state of financial emergency at some point since July 1, 2001.

2007-08 Tax Cut: Percentage Reduction Factors

- All independent special districts are treated uniformly with a 3% reduction factor.

- Jurisdictions that have not levied property taxes for at least 5 years are not subject to the reduction.

- The reductions do not apply to certain voted levies.

2007-08 Tax Cut: Override

- Override of the tax cuts are allowed:
  - To exceed the reduced tax level up to the level of 2006-07 revenues requires 2/3 vote of the governing board.
  - To exceed the above and up to the level of taxes achieved with 2006-07 tax rates requires unanimous vote of the governing board.
  - Above this level requires voter approval.

2007-08 Tax Cut: Penalties

- If a county or city exceeds the required lower tax revenue level without the required extraordinary votes, then it will not receive Half-Cent Sales Tax distributions.

Tax Cut and Cap: FY 2008-09

- If the constitutional amendment passes, there will be a further tax cut and cap adjustment in FY 2008-09.
- Jurisdictions will not be allowed to increase tax rates to offset reductions in the tax base without an extraordinary vote.

2008-09 Tax Cut: Override

- Override of the tax cuts are allowed.
  - To exceed the reduced tax level to recover up to 2/3 of the revenue loss due to the base reduction—2/3 vote of the governing board.
  - To exceed the above—unanimous vote of the governing board or referendum

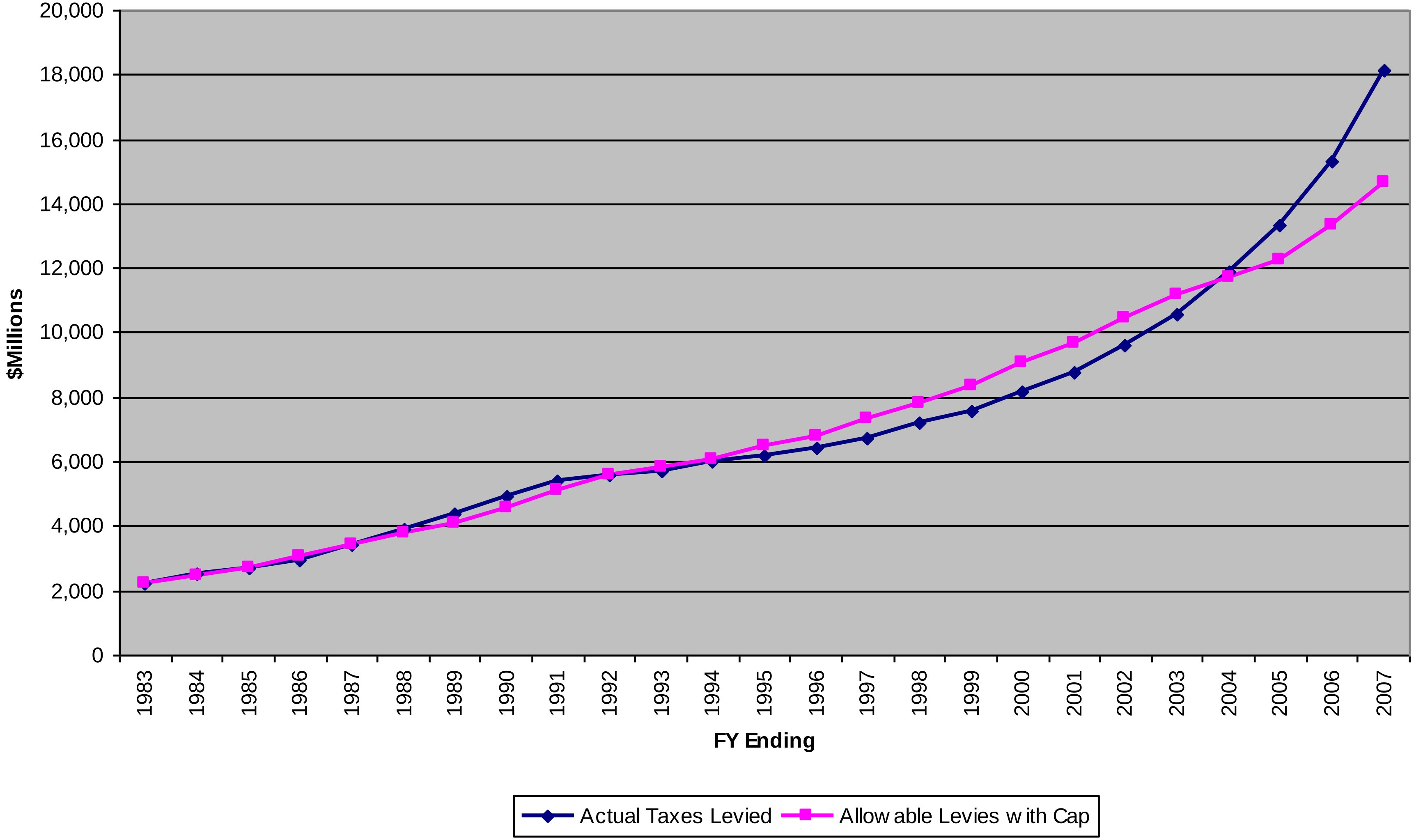
Tax Growth Cap

- Following the caps in FYs 2008 and 2009, property taxes for a jurisdiction will be allowed to grow with population (new construction) and the growth in Florida per capita personal income.
- Does not apply to school taxes.
- Override up to 10% over the cap by 2/3 vote of the governing board.
- Above this requires unanimous vote of governing board or referendum.

Tax Growth Cap

- Allows property tax revenues to grow with the state economy
- Would have prevented the dramatic growth in property taxes of the last four years

Florida City, County & Independent District Property Tax Collections Compared to Collections Limited to Population and Income Growth (Base Year for Cap = 1982)

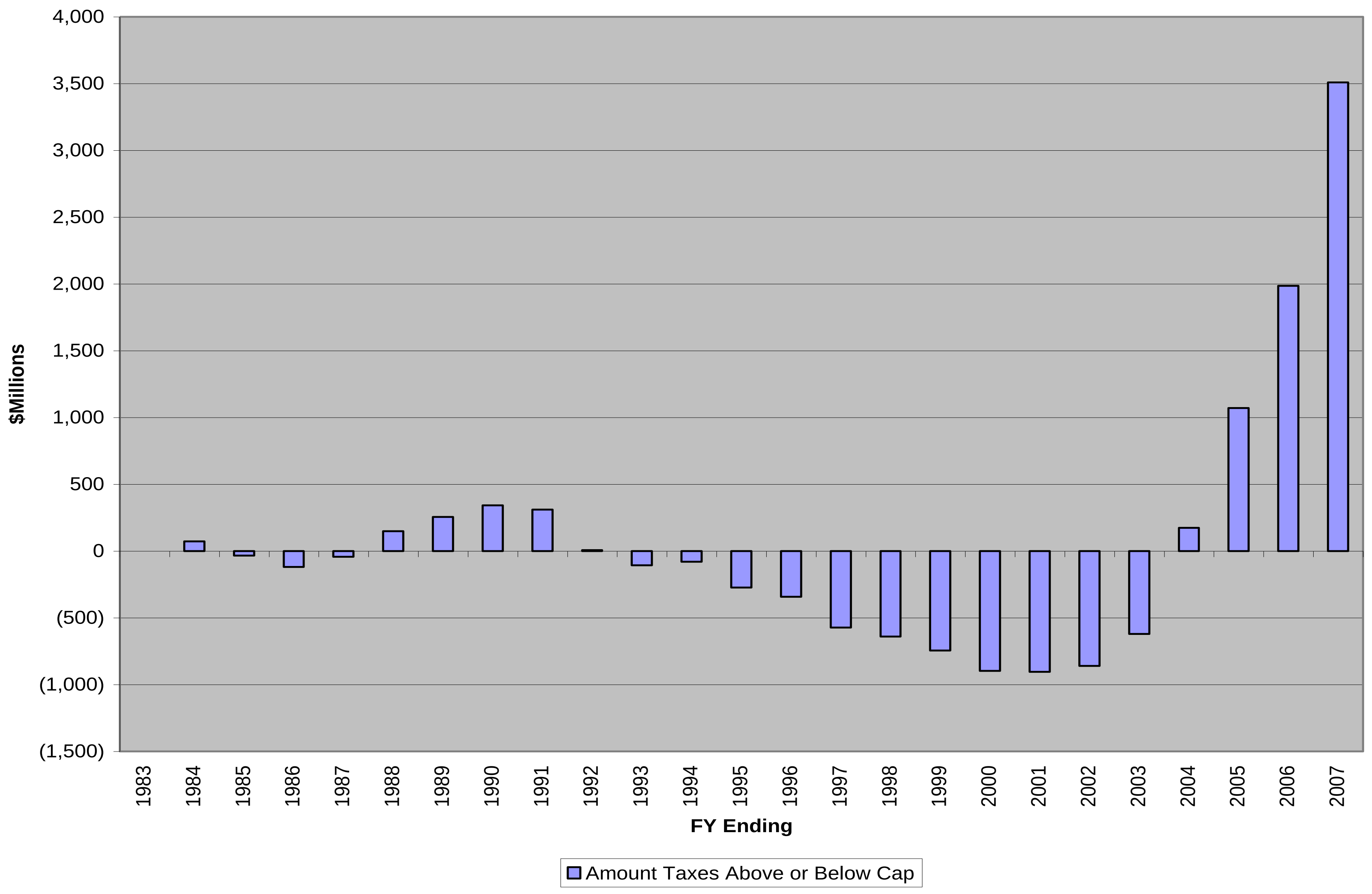


Tax Growth Cap

- During the weak real estate market of the 1990’s, property taxes grew less than would have been allowed under the cap.

- Property tax increases in the recent past exceeded state economic growth by significant margins.

Florida City County & Independent District Property Tax Levies
Above / Below Population and Income Growth Cap
(Base Year for Cap = 1982)

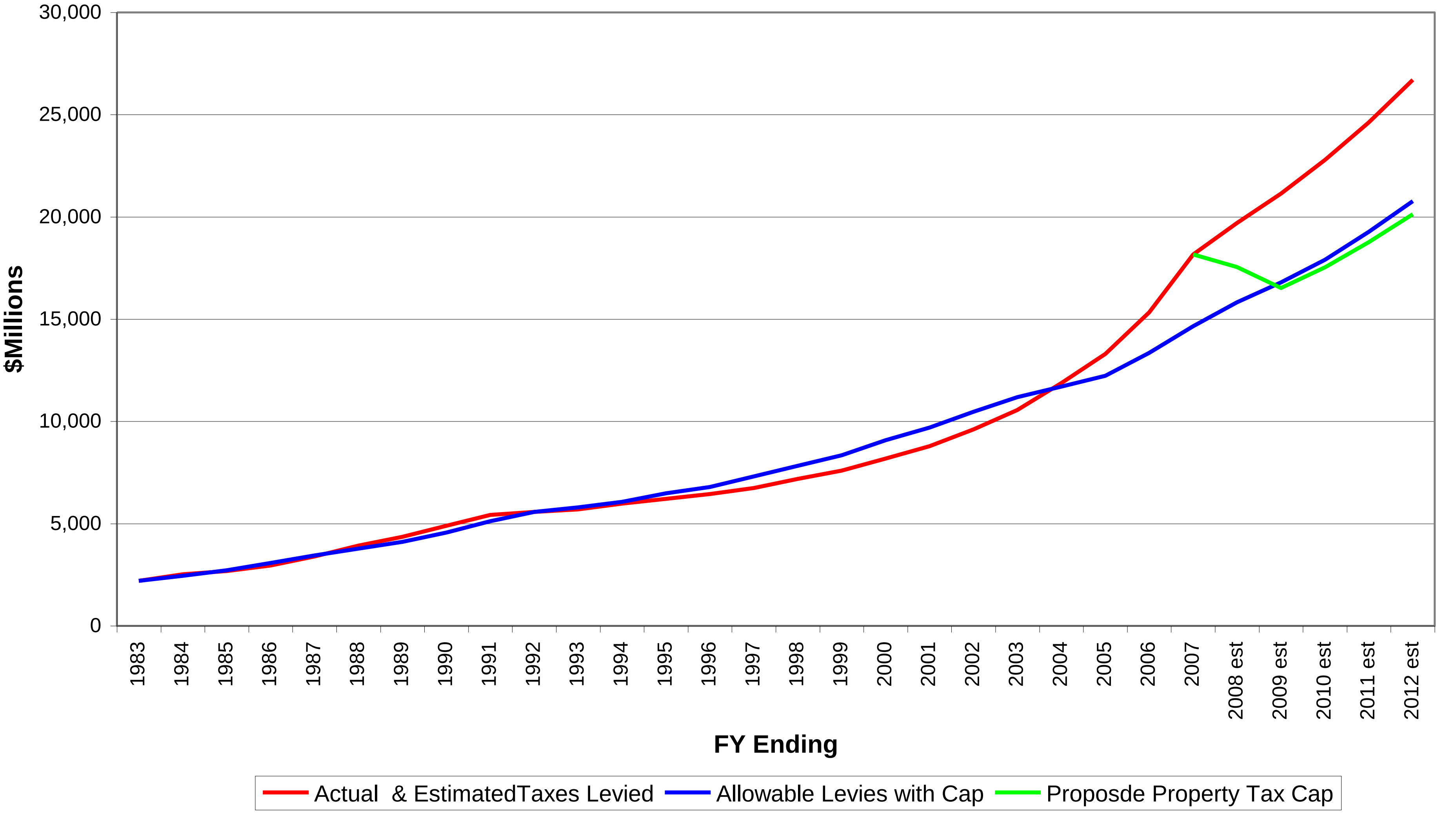


Tax Growth Cap

- Proposed property tax cap reinforces the tax relief and reform.

- Impact is to reduce property taxes to normal levels and prevent future excessive tax increases.

Florida City County & Independent District Property Tax Levies Compared to Collections Limited to Population and Income Growth (Base Year for Cap = 1982) Mandatory Relief & Homestead Tax Reform



Constitutional Tax Relief and Reform

Constitutional Provisions:

- Homestead Exemption Increase
- Low-Income Seniors exemption increase
- Affordable Housing valuation limitations
- Working Waterfronts valuation limitations
- Tangible Personal Property exemption

Homestead Exemption

- Increased exemption based on a percent of just value in different increments.

- Homesteaders not initially better off under the new exemption would be "grandfathered."

Homestead Exemption: Calculation

- Exemption equals:
  - 75% of the first $200,000 in just value,
  - 15% of the value between $200,000 and $500,000, with
  - Minimum exemption of $50,000.

- $500,000 upper threshold indexed to growth in Florida Personal Income per capita. The Legislature may also increase this threshold by a 2/3 vote of the membership.

Homestead Exemption: Calculation

PROPOSED EXEMPTION STRUCTURE

		Homestead Just Value			
		$60,000	**$200,000**	**$400,000**	**$1,000,000**
Exempt %	**Value Range**				
75%	0 to 200k	$50,000	$150,000	$150,000	$150,000
15%	200k - 500k	$0	$0	$30,000	$45,000
0%	500k +	$0	$0	$0	$0
Exempt Value		**$50,000**	**$150,000**	**$180,000**	**$195,000**
	% of Just Val	83.3%	75.0%	45.0%	19.5%
Taxable Value		**$10,000**	**$50,000**	**$220,000**	**$805,000**
	% of Just Val	16.7%	25.0%	55.0%	80.5%

Homestead Exemption: “Grandfathering”

- Homesteads that are not initially better off under the new exemption structure will continue to receive full Save Our Homes benefits until the homestead changes ownership.

Low-Income Seniors

- Low-income seniors would be guaranteed a minimum exemption of $100,000 instead of $50,000, within the structure of the new, increased Homestead Exemption.

- Income threshold to qualify is the same as the current local option additional exemption for seniors (65 years and older).

Affordable Housing

- Constitution: Grants the legislature authority to provide for the assessment of property used for affordable housing at less than fair market value.
  - The property must be subject to rent restrictions imposed by a governmental agency.

- Implementing language provides for an application process. Certain defined rental properties that receive federal or state assistance and are rent-restricted will be assessed on the basis of their income.

Working Waterfronts

- Constitution: Grants the legislature the authority to provide for the assessment of waterfront property at less than fair market value.

- Qualifying properties are:
  - Land used exclusively for commercial fishing purposes,
  - Land open to the public that is used predominantly for water-dependent activities, and
  - Land used for public access to the water.

- Implementation left for regular legislative session.

Tangible Personal Property

- Constitution: Authorizes the legislature by general law to grant a minimum exemption of $25,000.

- Implementing Bill: Authorizes an exemption of first $25,000 per return.

Miscellaneous

- Florida Constitution will require the Legislature to limit city, county and special district property tax increases.

Revenue Impacts

Revenue Impacts by Major Plan Component						
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**5-Yr Total**
Revenue/Tax Rate Cap	(2,156)	(2,604)	(3,113)	(3,575)	(4,154)	(15,602)
Homestead Exemption	-	(3,177)	(3,454)	(3,737)	(3,936)	(14,303)
Low Income Seniors	-	(58)	(58)	(57)	(57)	(230)
Affordable Housing	-	(80)	(81)	(82)	(85)	(328)
Working Waterfronts	-	(72)	(75)	(80)	(85)	(312)
Tangible Personal Property	-	(212)	(212)	(213)	(217)	(854)
Total Property Tax Impact	**(2,156)**	**(6,203)**	**(6,992)**	**(7,744)**	**(8,535)**	**(31,630)**
Change from Current Law	**-6.5%**	**-17.4%**	**-18.1%**	**-18.5%**	**-18.7%**	**-16.3%**

Revenue Impacts

Revenue Impacts by Property Classification						
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**5-Yr Total**
Homestead	(757)	(4,220)	(4,750)	(5,277)	(5,740)	(20,744)
Non-Homestead Res	(835)	(1,049)	(1,197)	(1,315)	(1,479)	(5,875)
Comm/Indust	(351)	(474)	(528)	(567)	(623)	(2,542)
TPP	(121)	(345)	(355)	(359)	(367)	(1,547)
Other Properties	(92)	(115)	(163)	(225)	(327)	(922)
Total Property Tax Impact	**(2,156)**	**(6,203)**	**(6,992)**	**(7,744)**	**(8,535)**	**(31,630)**

Revenue Impacts

Average Beneficiary Impacts--Amounts From Current Law						
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**5-Yr Total**
Homestead (All Homesteads)	$ 174	$ 948	$ 1,045	$ 1,138	$ 1,214	$ 4,517
Homestead (73% Benefiting)	$ 174	$ 1,306	$ 1,439	$ 1,567	$ 1,672	$ 6,159
Non-Homestead Residential	$ 199	$ 245	$ 274	$ 295	$ 325	$ 1,337
Commercial Industrial	$ 941	$ 1,240	$ 1,353	$ 1,425	$ 1,536	$ 6,495
Tangible Personal Property	$ 92	$ 262	$ 266	$ 267	$ 270	$ 1,157

Average Beneficiary Impacts--% From Current Law					
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Homestead (All Homesteads)	-7%	-32%	-32%	-32%	-31%
Homestead (73% Benefiting)	-7%	-44%	-44%	-44%	-42%
Non-Homestead Residential	-7%	-8%	-9%	-9%	-10%
Commercial Industrial	-6%	-8%	-9%	-9%	-9%
Tangible Personal Property	-6%	-17%	-17%	-17%	-17%